

Message Text

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PAGE 01 MANILA 15965 140343Z

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ACTION TRSE-00

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USADB

E.O. 11652: ADS, DECLASS 12/31/76

TAGS: EAID, EFIN

SUBJECT: REVIEW OF BANK'S RESOURCE POSITION AND PROPOSAL FOR
INCREASE IN BANK'S CAPITAL STOCK

FOR NAC AGENCIES

TREASURY FOR BUSHNELL/ZINMAN

1. ADB DOC. R111-75 ON ABOVE SUBJECT POUCHED NOVEMBER 13
AND WILL BE CONSIDERED BY BANK OF DIRECTORS DECEMBER 2.

2. DOCUMENT REVIEWS BANK'S CAPITAL STRUCTURE; DISCUSSES
PROJECTED ORDINARY CAPITAL OPERATIONS FOR 1975-1981
PERIOD; ASSESSES IMPLICATIONS OF OPERATIONAL PROGRAM FOR
BANK'S FINANCIAL POSITION AND CAPITAL NEEDS; AND CONSIDERS
NEED FOR AND TIMING OF GENERAL CAPITAL INCREASE. DOCU-
MENT ALSO DESCRIBES POSSIBLE METHODS OF MOBILIZING BANK'S
COST-FREE FUNDS THROUGH ENCASHMENT OF NOTES AND INCREASE
IN PAID-IN CAPITAL.

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PAGE 02 MANILA 15965 140343Z

3. ON BASIS ABOVE-METHOD ANALYSIS OF BANK'S RESOURCE

POSITION, MANAGEMENT CONCLUDES THAT:

A. TO MEET PROPOSED OPERATIONAL REQUIREMENTS DURING 1976-1981 PERIOD, IT IS NECESSARY TO EFFECT, IN THREE INSTALLMENTS IN 1977, 1978 AND 1979, ENCASHMENT OF REMAINING DEMAND PROMISSORY NOTES AND SIMILAR OBLIGATIONS OF NON-REGIONAL MEMBERS, AUSTRALIA AND JAPAN RELATING TO THEIR SUBSCRIPTIONS TO FIRST GENERAL AND SUBSEQUENT SPECIAL CAPITAL INCREASES; AND

B. TO BE ABLE TO CONTINUE ITS LENDING COOPERATIONS IN 1977 AND BEYOND, A FURTHER GENERAL INCREASE IN CAPITAL STOCK TO BECOME EFFECTIVE DURING MIDDLE OF 1977 IS ALSO NECESSARY.

4. PROPOSED INCREASE SHOULD BE EQUAL TO AT LEAST 135 PERCENT OF CAPITAL STOCK EXISTING IN 1977 AND SHOULD BE 85 PERCENT CALLABLE AND 15 PERCENT PAID-IN CAPITAL, PAYABLE IN FOUR EQUAL ANNUAL INSTALLMENTS IN EARLY PART OF YEARS 1978, 1979, 1980 AND 1981. OF PAID-IN PORTION 40 PERCENT SHOULD BE PAID IN GOLD OR CONVERTIBLE CURRENCY AND 60 PERCENT IN MEMBER CURRENCY. LATTER COULD BE IN NON-NEGOTIABLE, NON-INTEREST BEARING DEMAND NOTES OR SIMILAR OBLIGATIONS.

5. FOLLOWING DECISIONS OF BOARD OF DIRECTORS ON ABOVE RECOMMENDATIONS, BANK MANAGEMENT PROPOSES TO TAKE NECESSARY ACTION TO (I) IMPLEMENT NOTE ENCASHMENT PROGRAMS AND (II) SUBMIT FOR BOARD APPROVAL DRAFT REPORT FROM DIRECTORS TO GOVERNORS INCORPORATING PROPOSAL FOR CAPITAL INCREASE, TOGETHER WITH DRAFT RESOLUTION.

COMMENT: IN USADB VIEW, TWO ACTIONS ARE NOT NECESSARILY LINKED.

6. NAC GUIDANCE IS REQUESTED ASAP. SULLIVAN

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